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ARM Research | Weekly Call

Last week, the bullish trend continued as the NSE ASI gained 0.03% WoW to close at 29,628.84pts while market capitalization advanced to N15.3 trillion. Gains were seen across Cement (+3.67%), Brewers (+1.26%), Oil & Gas (+6.89%), Insurance (+1.37%), and construction (+0.03%) sectors, transcending losses in the banking sector (-2.12%), Telecom (-0.87%), Personal care (-3.58%) and Food (-4.78%). Analyzing individual performances, gains were seen in NB (+1.76% WoW), DANGCEM (+2.8% WoW), BUACEMENT (+5.0% WoW), WAPCO (+10.8%) and SEPLAT (+2.89% WoW).

- **Dangcem– STRONG BUY (FVE: ₦240.87):** DANGCEM's FY 19 earnings is expected to be pressured (EPS: ₦14, vs ₦22 in 2018) owing to lower volumes in Nigeria business (due to increased competition from BUA Cement) and some of its Pan Africa business, as well as high base of tax credits from 2018. However, DANGCEM currently trades at FY 19E P/E of 11x on our estimates, which is cheap compared to WAPCO and CCNN of 17.7x and 16.8x, respectively. We believe current valuation is unjustified given the superior ROE of 24%.
- **Guaranty Trust Bank Plc – STRONG BUY (FVE: ₦49.66):** GTB's 9M 19 earnings expanded modestly with PAT and EPS expanding only 3.4% YoY to ₦146.9 billion and ₦4.99/share respectively. Although, we expect a slower growth in EPS (+4% YoY to ₦6.53) over 2019, our case for GUARANTY remains the resilience in NIR, improved cost management, still strong loan book with a moderate expansion in credit loss provision to 0.5%.
- **Nigerian Breweries Plc – STRONG BUY (FVE: ₦75.82):** Intense competition from International Breweries (IB) and graduated excise duty (+17% YoY) that kicked-off in Jan-19, revenue growth is expected to be slow even as we expect higher finance cost (+38% YoY) to be another pressure point to earnings this year. However, given our case for a slight improvement in volumes and decline in cost of sales (-1.1% YoY) which translates to gross (+120bps YoY) and EBIT (+101bps YoY) margin expansion, the misery seems moderated. Overall, the net impact of all our adjustments translates to PBT of ₦29.9 billion and EPS of ₦2.58 (+6.3% YoY) over 2019.
- **Seplat Plc – STRONG BUY (FVE: ₦828.90):** Seplat's total production declined in Q3 19, as the drop in gas production offset improvement in the oil segment. That said, we remain positive on growth in production going into the final quarter of the year (especially in oil) and into 2020 as Seplat increases capex. Cashflows remain healthy. Upsides reside in the ANOH Gas project and acquisition of Eland Oil & Gas Limited.

Please read our [Ratings, Disclosure & Disclaimer](#) to understand how our analysts reach their recommendations.

Corporate Benefit Tracker

Last Week

- Airtel Africa Plc announced the signing of a strategic partnership with Western Union that would allow Airtel Money customers reliably send and receive international money transfers directly from their phones, using Airtel Africa mobile money wallet. Click [here](#) to read more.

This Week

- Click [here](#) to view full corporate actions thus far in 2020.

Stock Recommendation

Sectors/Stocks	Rating	FVE (N)	Price (N)	Upside	YTD Return	P/E FY 18(x)	P/E FY 19E (x)	P/B FY 18E (x)	P/B FY 19E (x)	FY 19E dividend yield
BANKING										
ACCESS	UR	NA	10.25	NA	50.7%	3.5	3.1	0.6	0.6	5.9%
FBNH	STRONG BUY	9.12	7.3	24.9%	-8.2%	5.8	4.4	0.4	0.5	3.2%
FCMB	UR	NA	1.96	NA	3.7%	2.4	3.5	0.2	0.2	5.9%
FIDELITY	BUY	2.92	2.22	31.5%	9.4%	3.2	2.0	0.2	0.1	6.8%
GTB	STRONG BUY	49.66	32.10	54.7%	-6.8%	6.6	6.0	1.8	1.9	8.8%
UBA	STRONG BUY	13.04	8.55	52.5%	11.0%	3.0	2.1	0.5	0.4	11.0%
ZENITH	STRONG BUY	31.50	21.95	43.5%	-4.8%	4.2	3.6	0.7	0.7	13.2%
CEMENT										
DANGCEM	STRONG BUY	240.87	179.9	33.9%	-5.2%	21.0	13.3	5.0	4.0	6.4%
LAFARGE	OVERWEIGHT	20.88	17.5	19.3%	40.6%	NA	9.0	1.6	0.5	5.0%
BREWERIES										
GUINNESS	BUY	42.63	30.2	41.2%	-58.1%	35.9	31.1	2.8	2.6	6.6%
NB	STRONG BUY	75.82	52	45.8%	-39.2%	33.9	31.0	4.0	3.6	5.0%
AGRIC										
OKOMU	NEUTRAL	77.23	66.00	17.0%	-13.4%	6.9	7.4	2.0	1.7	4.0%
PRESCO	SELL	51.90	52.25	-0.7%	-18.4%	2.1	8.5	0.7	0.7	1.8%
FOOD PRODUCERS										
DANG SUGAR	OVERWEIGHT	15.67	13.90	12.7%	-8.9%	6.0	6.1	2.6	1.6	6.6%
NESTLE	NEUTRAL	1447.39	1380	4.9%	-7.1%	36.6	23.1	27.5	27.5	4.7%
PERSONAL CARE										
PZ	NEUTRAL	6.71	5.85	14.7%	-51.7%	22.3	46.4	1.6	2.0	2.6%
UNILEVER	STRONG BUY	31.95	17.55	82.1%	-52.6%	23.0	9.8	2.3	1.2	6.7%
OIL & GAS										
FORTE OIL	UR	NA	20.6	NA	-28.2%	1.8	5.4	0.9	0.8	NA
MRS	UR	NA	15.3	NA	-40.5%	2.8	51.4	0.4	0.4	NA
SEPLAT	STRONG BUY	828.90	605.00	37.0%	-5.5%	3.7	3.9	0.7	0.6	10.0%
TOTAL	UR	NA	117	NA	-42.4%	5.0	7.3	3.0	1.8	NA

“FVE” means Fair Value Estimate while “UR” means Under Review and “NA” means Not applicable

*Means Last communicated FVE